

October 25, 2013

To: Executive Board

Subject: **Contract Amendment - Foothill Transit CNG Fueling Stations**

Recommendation

Authorize the Executive Director to:

1. Execute Agreement 14-012 with Clean Energy, which extends the term of lease Agreement 01-024 through June 30, 2025 and reduces the rate for operation and maintenance of Foothill Transit's Pomona CNG station from \$0.7768 per gallon to \$0.2790 per gallon effective November 1, 2013, subject to annual CPI increases beginning on July 1, 2015; and
2. Execute Amendment No. 3 to Foothill Transit's Agreement No. 05-006 with Clean Energy extending the term of the Agreement through June 30, 2025 and increasing the rate for operation and maintenance of Foothill Transit's Arcadia CNG station from \$0.2215 per gallon to \$0.2790 per gallon effective November 1, 2013, subject to annual CPI increases beginning on July 1, 2015.

Analysis

In 2002, Foothill Transit contracted with Clean Energy to make the transition to using CNG as an alternative fuel for its fleet. At the time, this was a pioneering step for both organizations, as there was not another transit property in Southern California who was contracting with Clean Energy for CNG fueling station support. Clean Energy designed and built the CNG fuel station at the Pomona Operations and Maintenance Facility in 2001. In order to ensure the most flexibility during our organization's entry into clean fuel technology, Foothill Transit chose to have Clean Energy build a CNG station at that facility and Foothill Transit leased the station – built on Foothill Transit property – from Clean Energy.

The organization's first order of 66 CNG coaches was placed into service at the Pomona operations and maintenance facility in July 2002, and since then, with the exception of the three Ecoliners, all new coaches procured have been CNG-powered. Foothill Transit's current agreement with Clean Energy for operation and maintenance of the CNG station in Pomona expires in May 2017.

After proving the effectiveness of CNG fuel technology on Foothill Transit's fleet in Pomona and subsequent to a competitive procurement, a contract was awarded to Clean Energy in 2005 to build a CNG station at Foothill Transit's Arcadia Operations and Maintenance Facility. The Arcadia CNG station is owned by Foothill Transit with maintenance provided by Clean Energy. This contract will expire in June 2015.

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Foothill Transit has made its final lease payment to Clean Energy for the Pomona CNG station and the Pomona CNG station is now the property of Foothill Transit. With the change in ownership, staff initiated discussions with Clean Energy with the goal of equalizing the rates paid for operation and maintenance of Foothill Transit's two CNG stations. In response to our request during those discussions, Clean Energy has submitted a proposal to Foothill Transit to implement a new operation and maintenance (O&M) rate of \$0.2232 per therm (\$0.279 per gallon) for both facilities.

In consideration of this overall rate reduction, Clean Energy has requested that the proposed amendments to Agreement Nos. 01-024 and 05-006 for operations and maintenance of Foothill Transit's Pomona and Arcadia CNG stations, respectively, include an extension of the term of both agreements through June 30, 2025. The current Agreement Nos. 01-024 and 05-006 for O&M of Foothill Transit's Pomona and Arcadia CNG stations, respectively, are set to terminate in May 2017 and June 2015. The Pomona agreement has no remaining available options, and the Arcadia agreement has an available five-year option. As part of agreement 01-024, Foothill Transit assumed ownership of the fueling station upon completion of the required lease payments. Since all lease payments have been made, the new agreement titled 14-014 will take effect, allowing the contractor to continue to operate and maintain the station. The extension of these O&M agreements essentially extends warranties on both CNG stations through June 30, 2025.

Should Foothill Transit elect not to pursue the recommended contract amendments, staff would initiate competitive procurements in an appropriate timeframe for operations and maintenance of both CNG stations to ensure uninterrupted operation. It should be noted that Foothill Transit's two CNG fueling stations incorporate IMW compressors, and that in 2010, Clean Energy purchased IMW. As such, should parts for, or repairs to the compressors be necessary, it would be reasonable to conclude that Clean Energy would have an advantage over other vendors who might respond to a procurement solicitation for operation and maintenance of the Foothill Transit CNG stations.

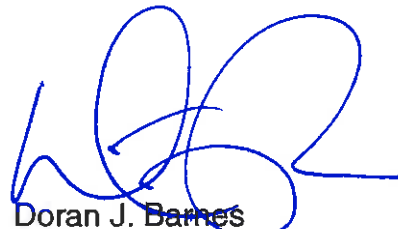
Budget Impact

The recommended action would reduce Foothill Transit's cost for CNG from an average of \$0.4992 per gallon to an average of \$0.2790 per gallon. At current usage levels, the annual budget savings is estimated at \$1.2 million.

Sincerely,



Kevin McDonald
Deputy Executive Director



Doran J. Barnes
Executive Director